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IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1940.

No. 725

CASCO PRODUCTS CORPORATION,
Petitioner,

vs.

SINKO TOOL AND MANUFACTURING COMPANY,
Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SEVENTH CIRCUIT, AND BRIEF IN SUPPORT THEREOF.

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PETITION FOR WRIT OF CERTIORARI.

To the Honorable the Chief Justice and Associate Justices of the Supreme Court of the United States:

Your Petitioner, Casco Products Corporation, prays that a writ of certiorari should issue to review the decree of the United States Circuit Court of Appeals for the Seventh Circuit, entered December 6, 1940 (R. 628).

A certified transcript of the record in the case, including the proceedings in the Circuit Court of Appeals, is furnished herewith, in compliance with Rule 38 of the Rules of this Court.

Summary Statement of the Matter Involved.

This is a suit brought by petitioner against respondent for specific performance of an existing patent license agreement between the parties, dated February 17, 1934 (R. 200). The agreement relates to electric cigar lighters.

By Section 3 of the agreement respondent admitted the validity of the Letters Patent of the agreement and agreed that it would take no steps or proceedings to contest such validity during the continuance of the agreement.

The respondent supplied electric cigar lighters not only as automobile accessory equipment, which it had a right to do (if complying with the conditions of the license agreement), but later also supplied the lighters for use as standard factory equipment (R. 47), which respondent was obligated *not* to do by Section 9 of the agreement (R. 204) if the lighters embodied any of the constructions covered by claims of the licensed patents.

When respondent began supplying its cigar lighters in the prohibited field of standard factory equipment, this suit was brought, and respondent then denied that any of its cigar lighters (save a single relatively unimportant type identified as Exhibit 16) embodied any of the constructions covered by the licensed patents and ceased the payment of further royalties.

A preliminary injunction granted by the District Court was reversed by the Court of Appeals for the Seventh Circuit on the ground that there was not "clear proof of infringement and of appellant's inability to respond in damages," 89 Fed. (2d), 916, 921.

The case then proceeded to full trial by the District Court, which dismissed the bill on the record before it upon the ground that the Court of Appeals had settled the question of infringement on the appeal from the preliminary injunction (R. 256).

The petitioner appealed from this decree. The fundamental question before the Court of Appeals was whether the defendant's devices did, or did not, come within the scope of (or "infringe") any of the claims of the licensed patents, and hence be subject to the terms and conditions of

the license agreement. In determining this question, the main issue was how the prior art might be properly used.

On account of the license agreement and the specific covenant of Section 3 thereof (*supra*, p. 2), no question of patentability, that is, validity of the claims, could properly be involved.

It was undisputed that a licensee may properly refer to the prior art as an aid in construing the meaning and scope of the claims of a licensed patent. If so used, we submit, respondent could not escape its obligations under the license agreement, for, after giving full proper effect to the prior art, the claims of the patents fairly read on respondent's accused cigar lighters. But in the present instance the Court of Appeals "despite some trepidation" laid down what it termed a "corollary rule", to the effect that a licensee accused of making devices embodying constructions covered by a licensed patent without fulfilling its obligations under the license, could not only use the prior art as an aid to construing the claims of a licensed patent, but could also set up the defense that its devices merely followed the prior art "plus ordinary mechanical skill", and could thus escape "infringement" and its obligations under the agreement, even though these very changes from the prior art would bring the devices within the ordinary and clear meaning of the terms of the claims.

As expressed in the opinion (R. 616):

> "* * * In other words if everything in defendant's construction was taught by the prior art and nothing included therein other than the application of such art, *plus ordinary mechanical skill,* then the mere fact that the device constructed reads upon the claims of patents, the validity of which it is estopped to deny, does not spell infringement. Our conception of our obligation, therefore, is that we must examine the prior art *not only* to determine the scope of plaintiff's invention *but also* to determine whether what is built by defendant springs entirely therefrom." (Emphasis ours.)

This petition seeks to have this Court review this novel doctrine enunciated by the Court of Appeals, that a defendant-licensee can escape the obligations of his agreement if he can succeed in showing that his device, although within the terms of the claims of the licensed patent, follows the prior art, *plus "mechanical skill"*, in distinction to *plus "invention."* According to the Court's decision, unless licensee's device embodies a change from the prior art which involves patentable "invention", he can escape his contractual obligations. This eliminates the estoppel to deny validity by permitting a defendant-licensee to raise the very same defense which is the issue of most infringement suits where no estoppel exists, namely, whether a certain change from the prior art involves mere "mechanical skill" (which would mean that the claim for such change is invalid), or "invention" (which would mean that the claim is valid). To consider "the skill of a mechanic" in connection with novelty, is to determine *patentable* novelty—that is, validity. This question is not open for the Court's determination, for the license agreement precludes the licensee from attacking validity.

It is to the interest of the public to know whether or not the "corollary rule," established by the Court of Appeals, is to become the law of the land. If a licensee is to be permitted, in spite of its expressed covenant to the contrary, to attack the validity of a patent by arguing the question as to what is and what is not invention, then the plaintiff licensor would be placed under the burden of establishing (as we believe could have been done in the present case) that the changes from the prior art toward the licensed patent *did* involve invention.

Under the circumstances of the present case and until the enunciation of this new doctrine by the Court of Appeals, a plaintiff licensor could not argue or present

evidence on the question of invention without stultifying its position that this question is not open for argument because of the estoppel.

If this Court should feel that the novel doctrine enunciated by the Court of Appeals is incorrect, we then seek an application of the correct doctrine to the facts of this case.

Jurisdiction.

1. The jurisdiction of this Court is invoked under Section 240(a) of the Judicial Code as amended by the Act of February 13, 1925 (28 U. S. C. Sec. 347).

2. The date of the decree which petitioner seeks to have reviewed is December 6, 1940 (R. 628).

3. The petition for rehearing was denied December 31, 1940 (R. 629).

Questions Presented.

The decision of the Court of Appeals presents the following questions:

1. Whether in the case of an existing license agreement in which the licensee is estopped from denying the validity of the licensed patent, the prior art may be used to show that licensee's device follows the prior art *plus the exercise of mechanical skill* when the departure from the prior art brings the device within the terms of the claims of the licensed patent, thus raising the issue whether such departure from the prior art involves "mechanical skill" or "invention", and hence, in full effect, whether claims of the licensed patent are valid.

2. Whether with the proper use of the prior art solely as an aid in construing the scope of the claims of the licensed patents, respondent's specific devices involved in this case come within the scope of such claims.

Reasons for Granting the Writ.

The discretionary power of this Court to grant a writ of certiorari is invoked upon the following reasons:

1. That an important question of Federal Law which has not been settled, but should be settled, by this Court is presented: In a suit against a defendant estopped to deny the validity of a patent, may such defendant not only use the prior art to construe the scope of the claims, as approved in *Westinghouse Co.* v. *Formica Co.*, 266 U. S., 342, but also take the position that he escapes the effect of the estoppel and his liability under the license agreement on the ground that his devices, although coming within the scope of the claims (and their very terms), follow the prior art *plus "mechanical skill,"* thus putting in issue the question as to whether the departure from the prior art involves mechanical skill or invention?

2. That the decision of the Court of Appeals in this case is in apparent conflict with the decision of this Court in *Westinghouse Co.* v. *Formica Co.*, 266 U. S., 342, on the question as to the proper use of the prior art by a defendant estopped to deny the validity of the patent in suit.

3. That the Court of Appeals misinterpreted the proper effect of the decision of this Court in *Westinghouse Co.* v. *Formica Co.*, 266 U. S., 342. Under similar circumstances, certiorari was granted by this Court in *The Schriber-Schroth Co.* v. *The Cleveland Trust Co.*, decided December 9, 1940, 47 U. S. P. Q., 345, 347.

4. That the decision of the Court of Appeals is in conflict with the decision of another Court of Appeals (such as the decision of the Court of Appeals for the First Circuit in *West* v. *Premier Register Table Co.*, 27 Fed. (2d), 653), in its interpretation of the effect of the decision of this Court in *Westinghouse Co.* v. *Formica Co.*, 266 U. S., 342.

5. That the question here involved is one of general application, and is of vital importance to all licensors and licensees of patents and to the public generally, since the decision of the Court of Appeals, unless modified by this Court, would act, we submit, as an unsound precedent to allow a licensee estopped from denying the validity of the licensed patent, to attack such validity indirectly by asserting that licensee's device follows the prior art, *plus "mechanical skill."* To allow a licensee to raise such a defense would be against public policy on account of discouraging patent owners from granting licenses, since there would be no proper consideration for granting the licensee immunity from infringement suits while still leaving the licensee free to indirectly attack the validity of the licensed patent.

WHEREFORE, it is respectfully submitted that the petition for writ of certiorari to the United States Circuit Court of Appeals for the Seventh Circuit should be granted.

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